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COLEMAN COMMUNITY SCHOOLS COLEMAN, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

August 25, 2008

Board of Education
Coleman Community Schools
Coleman, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the index. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 25, 2008, on our consideration of Coleman Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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WEINLANDER FITZHUGH

To the Board of Education
Coleman Community Schools
August 25, 2008

The management's discussion and analysis and budgetary comparison are not a required part of the basic financial statements but is supplemental information required by the U.S. generally accepted accounting principles and Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coleman Community Schools' basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Coleman Community Schools' financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The School District's net assets increased by \$317,577. Program revenues were \$1,630,893 or 19% of total revenues, and general revenues were \$7,010,671 or 81%.

The General Fund reported a positive fund balance of \$510,902.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Coleman Community Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General and Capital Projects Funds, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

COLEMAN COMMUNITY SCHOOLS

Management's Discussion & Analysis

For the Year Ended June 30, 2008

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Exhibit A

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 3,117,970	\$ 2,935,847
Capital assets - net of accumulated depreciation	6,094,049	6,370,768
Total assets	<u>9,212,019</u>	<u>9,306,615</u>
Liabilities		
Current liabilities	2,519,640	2,520,336
Long-term liabilities	3,423,602	3,835,079
Total liabilities	<u>5,943,242</u>	<u>6,355,415</u>
Net Assets		
Invested in property and equipment - net of related debt	2,796,608	2,637,862
Restricted	100,484	118,199
Unrestricted	371,685	195,139
Total net assets	<u>\$ 3,268,777</u>	<u>\$ 2,951,200</u>

The Table above focuses on net assets (see Exhibit A). The School District's net assets were \$3,268,777 at June 30, 2008. Investment in property and equipment, net of related debt totaling \$2,796,608, compares the original costs less depreciation and amortization of the School District's capital assets to long-term debt used to finance those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$100,484 (for Debt Service and Capital Projects) are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

The \$371,685 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net assets for the years ended June 30, 2008 and 2007.

Exhibit B	Governmental Activities	
	2008	2007
Revenue		
Program revenue:		
Charges for services	\$ 491,938	\$ 504,459
Grants and categoricals	1,138,955	1,122,241
General revenue:		
Property taxes	1,182,289	1,085,557
State foundation allowance	5,796,610	5,903,901
Other	31,772	65,481
Total revenue	<u>8,641,564</u>	<u>8,681,639</u>
Function/Program Expenses		
Instruction	4,621,686	4,674,120
Support services	2,643,012	2,789,872
Community services	0	26,809
Food services	362,595	369,615
Athletics	166,316	183,986
Capital outlay	12,002	80,656
Interest on long-term debt	208,021	156,000
Depreciation and amortization (unallocated)	310,355	325,987
Total expenses	<u>8,323,987</u>	<u>8,607,045</u>
Change in Net Assets	<u>\$ 317,577</u>	<u>\$ 74,594</u>

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8.3 million. Certain activities were partially funded from those who benefited from the programs, \$491,938, or by the other governments and organizations that subsidized certain programs with grants and categoricals, \$1.1 million. We paid for the remaining "public benefit" portion of our governmental activities with \$1.2 million in taxes, \$5.8 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$317,577. The key reason for the change in net assets was the reduction in the amount of debt owed by the School District. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

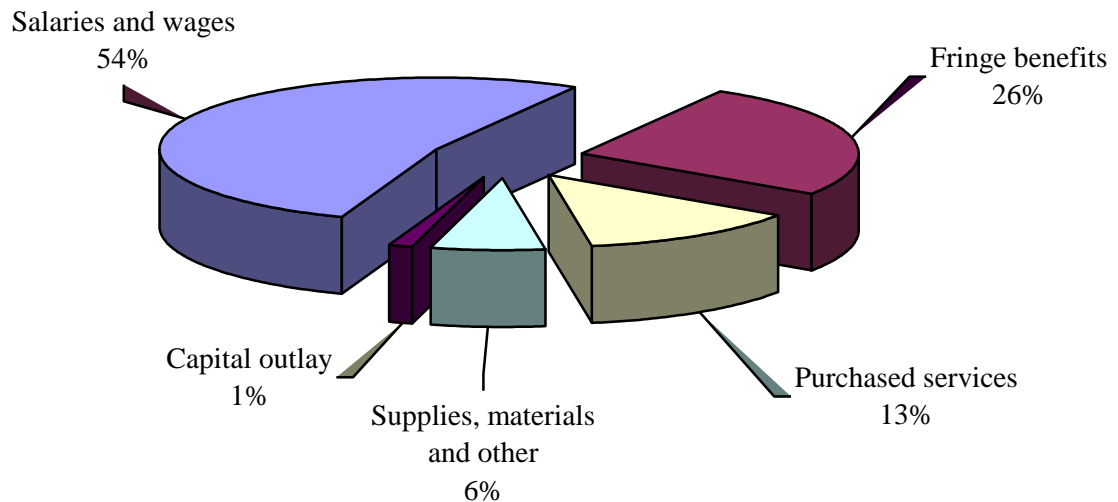
The School District's governmental funds reported a combined fund balance of \$616,117 which is above last year's total of \$430,876. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 510,902	\$ 308,656	\$ 202,246
Capital Projects	219	11,924	(11,705)
Special Revenue	4,731	4,021	710
Debt Service	<u>100,265</u>	<u>106,275</u>	<u>(6,010)</u>
	<u>\$ 616,117</u>	<u>\$ 430,876</u>	<u>\$ 185,241</u>

- The General Fund increase is due to increases in property taxes and other local revenues. The General Fund also experienced an increase in state revenue for categorical income. These increases were off set by an increase in payroll and benefit costs.
- The Capital Projects Fund decrease was a result of additional costs for the bond project.
- Athletic activities fund balance remained the same. Food Services increased by \$710. Food Services increase will be used for future years operations.
- The Debt Service Funds decrease is based upon scheduled payments on debt obligations. Debt Service funds are reserved since they can only be used to pay debt obligations.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2008	2007
<i>General Fund Expenditures by Object (Excluding Interfund Transfers)</i>		
Salaries and wages	\$ 3,881,801	\$ 4,075,974
Fringe benefits	1,936,096	2,040,511
Purchased services	969,523	1,040,316
Supplies, materials and other	473,493	399,932
Capital outlay	110,449	7,687
Total	<u>\$ 7,371,362</u>	<u>\$ 7,564,420</u>

General Fund expenditures are down \$193,058 from the prior year mostly due to the School District reducing supplies and materials purchases to only the necessities. The School District also experienced a decrease in wages and benefits mainly due to the School District switching to contracted substitute teacher and a reduction in staff. If cuts had not been made, the fund balance would have been substantially reduced. In addition, it was necessary to stay within the legal budget restrictions imposed by the State.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased due to a increase in local, federal and interdistrict revenues. The overall change was immaterial.
- Budgeted expenditures were adjusted due to lower costs for instructional and computer supplies. Community service programs and debt service expenses were added to the final budget. The overall change was immaterial.
- There were immaterial differences in the final budget and actual amounts.

Capital Assets

At June 30, 2008, the School District had \$6.1 million invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of \$276,721, or 4%, from last year.

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$ 8,952,785	\$ 8,952,785
Buses and other vehicles	609,060	618,660
Furniture and equipment	<u>1,276,912</u>	<u>1,276,912</u>
 Total capital assets	 10,838,757	 10,848,357
 Less accumulated depreciation	 <u>4,744,708</u>	 <u>4,477,587</u>
 Net capital assets	 <u><u>\$ 6,094,049</u></u>	 <u><u>\$ 6,370,770</u></u>

This year's additions of \$36,000 include the purchase of three busses.

COLEMAN COMMUNITY SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Debt

At the end of this year, the School District had \$3,279,656 of outstanding debt consisting of bonds versus \$3,688,898 in the previous year – a change of 11%.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

Our elected Board and administration consider many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September, 2008. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Requests For Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Coleman Community Schools
991 E. Railway
Coleman, MI 48618

COLEMAN COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 1,700,600
Accounts receivable	168,606
Due from other governmental units	1,186,980
Inventory	10,581
Prepaid expenses	24,778
Capital assets less accumulated depreciation of \$4,744,708	6,094,049
Bond issuance costs less accumulated amortization of \$6,837	<u>26,425</u>
Total assets	<u>9,212,019</u>
<u>Liabilities</u>	
Accounts payable	215,988
Note payable	1,600,000
Accrued payroll and other liabilities	620,934
Due to other governmental units	38,508
Accrued interest payable	44,210
Long-term liabilities:	
Due within one year	436,278
Due in more than one year	<u>2,987,324</u>
Total liabilities	<u>5,943,242</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	2,796,608
Restricted for debt service	100,265
Restricted for capital projects	219
Unrestricted	<u>371,685</u>
Total net assets	<u><u>\$ 3,268,777</u></u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2008

		Program Revenues		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Operating Grants/ Contributions	Revenue and Changes in Net Assets
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 4,621,686	\$ 199,431	\$ 914,557	\$ (3,507,698)
Support services	2,643,012	103,576	0	(2,539,436)
Food services	362,595	138,907	224,398	710
Athletics	166,316	49,727	0	(116,589)
Capital outlay	12,002	297	0	(11,705)
Interest on long-term debt	208,021	0	0	(208,021)
Depreciation and amortization (unallocated)	310,355	0	0	(310,355)
Total governmental activities	<u>\$ 8,323,987</u>	<u>\$ 491,938</u>	<u>\$ 1,138,955</u>	<u>(6,693,094)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				641,244
Property taxes, levied for debt services				541,045
State aid not restricted to specific purposes				5,796,610
Interest and investment earnings				31,659
Other				113
Total general revenues				<u>7,010,671</u>
Change in net assets				317,577
Net assets - beginning of year				<u>2,951,200</u>
Net assets - end of year				<u>\$ 3,268,777</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2008

	General	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>				
Cash and investments	\$ 1,416,817	\$ 12,222	\$ 271,561	\$ 1,700,600
Receivables:				
Accounts receivable	168,606	0	0	168,606
Due from other governmental units	1,186,980	0	0	1,186,980
Due from other funds	188,264	0	0	188,264
Inventory	0	0	10,581	10,581
Prepaid expenditures	22,822	0	1,956	24,778
Total Assets	<u>\$ 2,983,489</u>	<u>\$ 12,222</u>	<u>\$ 284,098</u>	<u>\$ 3,279,809</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 215,988	\$ 0	\$ 0	\$ 215,988
Note payable	1,600,000	0	0	1,600,000
Accrued payroll and other liabilities	618,091	0	2,841	620,932
Due to other governmental units	38,508	0	0	38,508
Due to other funds	0	12,003	176,261	188,264
Total liabilities	<u>2,472,587</u>	<u>12,003</u>	<u>179,102</u>	<u>2,663,692</u>
<u>Fund Balance</u>				
Reserved for prepaid expenditures	22,822	0	1,307	24,129
Reserved for debt service	0	0	100,265	100,265
Reserved for capital projects	0	219	0	219
Unreserved:				
Undesignated	488,080	0	3,424	491,504
Total fund balance	<u>510,902</u>	<u>219</u>	<u>104,996</u>	<u>616,117</u>
Total Liabilities and Fund Balance	<u>\$ 2,983,489</u>	<u>\$ 12,222</u>	<u>\$ 284,098</u>	<u>\$ 3,279,809</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds	\$ 616,117
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	10,838,757
Accumulated depreciation	(4,744,708)
Bond issuance costs	33,262
Accumulated amortization	(6,837)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(3,279,656)
Compensated absences	(143,946)
Accrued interest payable on long-term debt is not included as a liability in governmental activities	<u>(44,212)</u>
Total net assets - governmental activities	<u><u>\$ 3,268,777</u></u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 641,244	\$ 0	\$ 541,045	\$ 1,182,289
Other	92,856	297	190,211	283,364
State sources	6,485,277	0	24,857	6,510,134
Federal sources	225,889	0	199,541	425,430
Interdistrict sources	244,931	0	0	244,931
Total revenues	7,690,197	297	955,654	8,646,148
<u>Expenditures</u>				
Current:				
Instruction	4,420,333	0	0	4,420,333
Support services	2,672,629	0	0	2,672,629
Food service	0	0	362,595	362,595
Athletics	0	0	166,316	166,316
Capital outlay	0	12,002	0	12,002
Debt service:				
Principal	4,242	0	405,000	409,242
Interest	64,187	0	143,632	207,819
Total expenditures	7,161,391	12,002	1,077,543	8,250,936
Excess (deficiency) of revenues over expenditures	528,806	(11,705)	(121,889)	395,212
<u>Other Financing Sources (Uses)</u>				
Operating transfers in from other funds	0	0	116,589	116,589
Operating transfers out to other funds	(116,589)	0	0	(116,589)
Transfers to other governmental units	(209,971)	0	0	(209,971)
Total other financing sources (uses)	(326,560)	0	116,589	(209,971)
Net change in fund balance	202,246	(11,705)	(5,300)	185,241
Fund balance - beginning of year	308,656	11,924	110,296	430,876
Fund balance - end of year	\$ 510,902	\$ 219	\$ 104,996	\$ 616,117

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 185,241
Amounts reported for governmental activities in the statement of activities are different because:	
In the statement of activities, only the loss on the sale of the fixed asset is reported, whereas in the governmental funds, only the payments received on the equipment increase financial resources.	(4,583)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	36,000
Depreciation expense	(308,138)
Amortization expense	(2,217)
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(202)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	409,242
Decreases in compensated absences are reported as a reduction to expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	2,234
Change in net assets of governmental activities	<u><u>\$ 317,577</u></u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Statement of Fiduciary Net Assets
June 30, 2008

		Student Activity Fund
		<hr/>
	<u>ASSETS</u>	
Cash and investments		<u>\$ 55,215</u>
	<u>LIABILITIES</u>	
Due to student groups		<u>\$ 55,215</u>

See accompanying notes to financial statements.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Coleman Community Schools (School District) conform to U.S. generally accepted accounting principles applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies.

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes, 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statement.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include, 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Capital Projects Fund – The Capital Projects Fund is used to record the activity related to major construction projects of the School District. Included are transaction related to the additions and improvements to the School District's grounds and buildings.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

COLEMAN COMMUNITY SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Inventory and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Buses and other vehicles	8 years
Furniture and equipment	5 to 20 years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes – For Coleman Community Schools’ taxpayers, properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – For the fiscal year ended June 30, 2008, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October, 2007 – August, 2008. The local revenue is recognized as outlined in Note 1 under the Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2008, relating to state aid is \$1,176,980.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

COLEMAN COMMUNITY SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2008

NOTE 2 - BUDGETARY POLICIES AND DATA

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Coleman Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2008, the School District incurred revenues and expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
Revenues:			
General Fund:			
Local sources	\$ 796,534	\$ 734,100	\$ (62,434)
Federal sources	226,890	225,889	(1,001)
Interdistrict sources	258,962	244,931	(14,031)

COLEMAN COMMUNITY SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash and investments	\$ 1,700,600	\$ 55,215	\$ 1,755,815

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts)	\$ 1,752,936
Petty cash and cash on hand	76
Total	\$ 1,753,012

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$2,002,658 of the School District's bank balance of \$2,102,658 was exposed to custodial credit risk because it was uninsured and collateralized.

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

COLEMAN COMMUNITY SCHOOLS

Notes to Financial Statements For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets being depreciated:				
Buildings and improvements	\$ 8,952,785	\$ 0	\$ 0	\$ 8,952,785
Buses and other vehicles	618,660	36,000	(45,600)	609,060
Furniture and equipment	1,276,912	0	0	1,276,912
Subtotal	<u>10,848,357</u>	<u>36,000</u>	<u>(45,600)</u>	<u>10,838,757</u>
Accumulated depreciation:				
Buildings and improvements	3,531,584	193,694		3,725,278
Buses and other vehicles	471,282	29,643	(41,017)	459,908
Furniture and equipment	474,721	84,801	0	559,522
Subtotal	<u>4,477,587</u>	<u>308,138</u>	<u>(41,017)</u>	<u>4,744,708</u>
Net capital assets	<u>\$ 6,370,770</u>	<u>\$ (272,138)</u>	<u>\$ (4,583)</u>	<u>\$ 6,094,049</u>

Depreciation for the fiscal year ended June 30, 2008, amounted to \$308,138. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A summary of interfund receivable and payable balances at June 30, 2008, and transfers made during the year ended June 30, 2008, is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 188,264	\$ 0	\$ 0	\$ 116,589
Special Revenue:				
Athletics	0	30,348	116,589	0
Food Service	0	145,914	0	0
Capital Projects	0	12,002	0	0
	<u>\$ 188,264</u>	<u>\$ 188,264</u>	<u>\$ 116,589</u>	<u>\$ 116,589</u>

These interfund receivable and payable balances resulted from the time lag between the dates that, 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting systems and 3) payments between funds are made.

Transfers are used to reflect funding support for athletic salaries and benefits and food service indirect costs.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008, consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and categoricals	\$ 1,176,980
State and federal grants	<u>10,000</u>
	<u>\$ 1,186,980</u>

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements and Payments	Balance June 30, 2008	Amount Due Within One Year
Bonds payable	\$ 3,688,898	\$ 0	\$ 409,242	\$ 3,279,656	\$ 436,278
Compensated absences	146,180	0	2,234	143,946	0
Total	<u>\$ 3,835,078</u>	<u>\$ 0</u>	<u>\$ 411,476</u>	<u>\$ 3,423,602</u>	<u>\$ 436,278</u>

Bonds and note payable at June 30, 2008, are comprised of the following issues:

\$1,430,000 2000 School Building & Site bonds due in annual installments of \$145,000 to \$170,000 through May 1, 2011; interest at 4.50% to 4.75%.	\$ 495,000
\$1,440,000 1999 School Building & Site bonds due in annual installments of \$175,000 to \$205,000 through May 1, 2010; interest at 4.75% to 4.80%.	400,000
\$202,646 Durant Non-Plaintiff serial bonds due in annual installments of \$10,273 to \$49,567 through May 15, 2013; interest at 4.76%.	119,656
\$2,480,000 2004 School Building & Site bonds due in annual installments of \$60,000 to \$250,000 through May 1, 2019; interest at 2.10% to 4.00%	<u>2,265,000</u>
Total bonds and note payable	<u>\$ 3,279,656</u>

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

The annual requirements to amortize the bonds and note outstanding as of June 30, 2008, including interest payments, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 436,278	\$ 128,479	\$ 564,757
2010	509,453	133,111	642,564
2011	407,377	89,303	496,680
2012	237,966	73,889	311,855
2013	238,582	66,183	304,765
2014-2018	1,200,000	197,000	1,397,000
2019	250,000	10,000	260,000
	<u>\$ 3,279,656</u>	<u>\$ 697,965</u>	<u>\$ 3,977,621</u>

Under the terms of the present contracts between the Coleman Community Schools Board of Education and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and must be paid to them upon retirement.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation notes in advance of State of Michigan state aid payments, depositing the proceeds in its General Fund. These notes are necessary because the School District's cash flow obligation for operating expenses precede the collection of state aid.

	Beginning Balance	Issued	Redeemed	Ending Balance
State Aid Anticipation Note, due August 20, 2008, accruing interest at 3.68%	<u>\$ 1,800,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,600,000</u>

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

COLEMAN COMMUNITY SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

The pension benefit rate totals 17.74% for the period from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3% to 4.3% of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$668,977, \$729,110, and \$724,522 respectively.

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these benefits contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 84% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

COLEMAN COMMUNITY SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 700,529	\$ 796,534	\$ 734,100
State sources	6,113,716	6,457,382	6,485,277
Federal sources	189,422	226,890	225,889
Interdistrict sources	149,531	258,962	244,931
Total revenues	<u>7,153,198</u>	<u>7,739,768</u>	<u>7,690,197</u>
<u>Expenditures</u>			
Instruction:			
Basic programs	3,168,678	3,214,016	3,209,967
Added needs	923,542	1,228,158	1,210,366
Support services:			
Pupil	178,913	244,805	244,425
Instructional staff	141,440	142,456	141,618
General administration	243,867	252,065	246,795
School administration	442,716	453,803	453,800
Business services	157,320	161,317	158,344
Operations and maintenance	863,083	946,558	887,662
Transportation	414,067	465,930	465,733
Information services	58,029	74,448	74,252
Debt service	0	69,000	68,429
Total expenditures	<u>6,591,655</u>	<u>7,252,556</u>	<u>7,161,391</u>
Excess of revenues over expenditures	<u>561,543</u>	<u>487,212</u>	<u>528,806</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers out:			
Transfers to other funds	0	(116,589)	(116,589)
Transfers to other governmental units	(558,900)	(212,811)	(209,971)
Total other financing (uses)	<u>(558,900)</u>	<u>(329,400)</u>	<u>(326,560)</u>
Net change in fund balance	2,643	157,812	202,246
Fund balance - beginning of year	<u>308,656</u>	<u>308,656</u>	<u>308,656</u>
Fund balance - end of year	<u>\$ 311,299</u>	<u>\$ 466,468</u>	<u>\$ 510,902</u>

COLEMAN COMMUNITY SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			
	<u>Food Service</u>	<u>Athletics</u>	<u>1999 Issue</u>	<u>2000 Issue</u>	<u>2004 Issue</u>	<u>Totals</u>
<u>ASSETS</u>						
Cash and investments	\$ 138,741	\$ 32,555	\$ 25,389	\$ 23,214	\$ 51,662	\$ 271,561
Inventory	10,581	0	0	0	0	10,581
Prepaid expenditures	1,307	649	0	0	0	1,956
Total Assets	<u>\$ 150,629</u>	<u>\$ 33,204</u>	<u>\$ 25,389</u>	<u>\$ 23,214</u>	<u>\$ 51,662</u>	<u>\$ 284,098</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>Liabilities</u>						
Accrued liabilities	\$ 0	\$ 2,841	\$ 0	\$ 0	\$ 0	\$ 2,841
Due to other funds	145,913	30,348	0	0	0	176,261
Total liabilities	<u>145,913</u>	<u>33,189</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>179,102</u>
<u>Fund Balance</u>						
Reserved for prepaid expenditures	1,307	0	0	0	0	1,307
Reserved for debt service	0	0	25,389	23,214	51,662	100,265
Unreserved: Undesignated	<u>3,409</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,424</u>
Total fund balance	<u>4,716</u>	<u>15</u>	<u>25,389</u>	<u>23,214</u>	<u>51,662</u>	<u>104,996</u>
Total Liabilities and Fund Balance	<u>\$ 150,629</u>	<u>\$ 33,204</u>	<u>\$ 25,389</u>	<u>\$ 23,214</u>	<u>\$ 51,662</u>	<u>\$ 284,098</u>

COLEMAN COMMUNITY SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			
	<u>Food Service</u>	<u>Athletics</u>	<u>1999 Issue</u>	<u>2000 Issue</u>	<u>2004 Issue</u>	<u>Totals</u>
<u>Revenues</u>						
Local sources:						
Property taxes	\$ 0	\$ 0	\$ 202,392	\$ 176,752	\$ 161,901	\$ 541,045
Other	138,907	49,727	192	154	1,231	190,211
State sources	24,857	0	0	0	0	24,857
Federal sources	199,541	0	0	0	0	199,541
	<u>363,305</u>	<u>49,727</u>	<u>202,584</u>	<u>176,906</u>	<u>163,132</u>	<u>955,654</u>
Total revenues						
<u>Expenditures</u>						
Current:						
Food service	362,595	0	0	0	0	362,595
Athletics	0	166,316	0	0	0	166,316
Debt service:						
Principal	0	0	185,000	150,000	70,000	405,000
Interest	0	0	28,261	30,241	85,130	143,632
	<u>362,595</u>	<u>166,316</u>	<u>213,261</u>	<u>180,241</u>	<u>155,130</u>	<u>1,077,543</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	710	(116,589)	(10,677)	(3,335)	8,002	(121,889)
<u>Other Financing Sources</u>						
Operating transfers in from other funds	0	116,589	0	0	0	116,589
Net change in fund balance	710	0	(10,677)	(3,335)	8,002	(5,300)
Fund balance - beginning of year	4,006	15	36,066	26,549	43,660	110,296
Fund balance- end of year	<u>\$ 4,716</u>	<u>\$ 15</u>	<u>\$ 25,389</u>	<u>\$ 23,214</u>	<u>\$ 51,662</u>	<u>\$ 104,996</u>

COLEMAN COMMUNITY SCHOOLS

Detail of Bonded Debt

June 30, 2008

<u>Maturity Date</u>	<u>Percent of Interest Rate</u>	<u>Bonds Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Bonds Retired This Year</u>	<u>Bonds Outstanding June 30, 2008</u>	<u>Annual Interest Payment</u>	<u>Total Annual Payment</u>
Durant Issue							
Fiscal Year:							
2008	4.76	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2009	4.76	11,278	0	0	11,278	2,953	14,231
2010	4.76	69,453	0	0	69,453	26,160	95,613
2011	4.76	12,377	0	0	12,377	1,853	14,230
2012	4.76	12,966	0	0	12,966	1,264	14,230
2013	4.76	13,582	0	0	13,582	646	14,228
Total Durant issue		119,656	0	0	119,656	32,876	152,532
1999 Issue							
Fiscal Year:							
2008	4.75	185,000	0	(185,000)	0	0	0
2009	4.80	195,000	0	0	195,000	19,200	214,200
2010	4.80	205,000	0	0	205,000	9,840	214,840
Total 1999 Issue		585,000	0	(185,000)	400,000	29,040	429,040
2000 Issue							
Fiscal Year:							
2008	4.6	150,000	0	(150,000)	0	0	0
2009	4.60	160,000	0	0	160,000	23,066	183,066
2010	4.625	165,000	0	0	165,000	15,706	180,706
2013	4.750	170,000	0	0	170,000	8,075	178,075
Total 2000 issue		645,000	0	(150,000)	495,000	46,847	541,847
2004 Issue							
2008	2.35	70,000	0	(70,000)	0	0	154,905
2009	2.65	70,000	0	0	70,000	83,260	153,260
2010	2.90	70,000	0	0	70,000	81,405	151,405
2011	3.00	225,000	0	0	225,000	79,375	304,375
2012	3.15	225,000	0	0	225,000	72,625	297,625
2013 and after	3.35-4.0	1,675,000	0	0	1,675,000	272,537	1,947,537
Total 2004 issue		2,335,000	0	(70,000)	2,265,000	589,202	2,854,202
Total all Issues		<u>\$ 3,684,656</u>	<u>\$ 0</u>	<u>\$ (405,000)</u>	<u>\$ 3,279,656</u>	<u>\$ 697,965</u>	<u>\$ 3,977,621</u>



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August 25, 2008

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Coleman Community Schools
Coleman, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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Board of Education
Coleman Community Schools
August 25, 2008
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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control over financial reporting. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of School District internal controls. In taking this required position, we must consider whether the School District has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor involvement.

The School District uses accounting software as a management tool to monitor the financial status of the School District, to facilitate the preparation and amendment of budgets and to compare budgeted amounts to actual results. In addition, the School District demonstrates the ability to report fund level activities and report on certain fund level note disclosures. Due to the complexity of the required government wide financial statements and related note disclosures in accordance with GASB 34, the School District does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor involvement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the School District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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August 25, 2008

Board of Education
Coleman Community Schools
Coleman, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coleman Community Schools for the year ended June 30, 2008, and have issued our report thereon dated August 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 12, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Coleman Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Coleman Community School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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Board of Education
Coleman Community Schools
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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on June 12, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Coleman Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation is based on estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.



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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a



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determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Coleman Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh